

## Message Text

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12

ACTION SS-25

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R 101510Z JUN 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 3021

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

C O N F I D E N T I A L KINSHASA 5060

EXDIS

E.O. 11652: GDS

TAGS: EFIN EMIN CG US

SUBJECT: ZAIRE FINANCIAL SITUATION: BISENGIMANA'S VIEWS

1. TEMPELSMAN AND DEVLIN OF SMTF HAD LONG SESSION WITH BISENGIMANA JUNE 9. ALL IN ALL IT REPORTEDLY WENT WELL. BISENGIMAN COMMITTED GOZ TO REVIEW SMTF FINANCIAL DOCUMENTATION QUICKLY AGAINST TARGET SIGNATURE DATE OF LATE JULY. THERE WERE APPARENTLY TWO FAIRLY ROUGH EXCHANGES. BISENGIMANA TOOK OUT AFTER US BANKS ALLEGING THAT THEY WERE LEADING WORLD FINANCIAL COMMUNITY IN CREATING DIFFICULTIES FOR ZAIRE. TEMPELSMAN ARGUED IT WASN'T SO. ON OTHER SIDE, TEMPELSMAN RAISED QUESTIONS ABOUT PROPOSED FRENCH LOAN TO SOZACOM (ZAIRE'S MINERALS MARKETING AGENCY), INTIMATING IT COULD BE DANGEROUS TO MORTGAGE ZAIRE'S COPPER. BISENGIMANA DENIED THAT COPPER WAS BEING MORTGAGED, DESCRIBED TRANSACTION AS SWITCHING REGULAR SALES FORMERLY HANDLED BY SGM OF BELGIUM TO DIRECT SOZACOM-FRENCH GOVERNMENT MINERALS PURCHASING AGENCY BASIS WITH PRIVATE FRENCH BANKS EXTENDING CREDIT TO SOZACOM. TEMPELSMAN STILL THINKS IT IS EQUIVALENT TO MORTGAGE (SO DO I) BUT WE NOTE BISENGIMANA SENSITIVITY TO ANY THOUGHT THAT THIS COULD CREATE COMPLI-CATIONS WITH IBRD OR EXIM, AND BISENGIMANA'S REJECTION OF TEMPELSMAN'S HINT IT MIGHT.

2. CONCERNING IMF, TEMPELSMAN WAS LEFT WITH IMPRESSION

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BISENGIMANA DISPOSED TO TALK SERIOUSLY WITH FUND

QUICKLY AND ATTRIBUTED THIS TO LIKELY GUIDANCE FROM MOBUTU. FOLLOWING TEMPELSMAN'S EARLIER MEETING WITH PRESIDENT. BISENGIMANA ALSO TOLD HIM THAT GOZ WAS NOW READY FOR TALKS SINCE IT HAD FINALLY STRAIGHTENED OUT ITS DISGRACEFUL LACK OF RECORDS CONCERNING EXTERNAL DEBT AND HAS EFFECTIVE FOREIGN EXCHANGE RATIONING SYSTEM WORKING.

3. EARLY JUNE 10 SERGE GUETTA, IBRD, CALLED ON ME AGAIN, SAYING HE HAD SEEN BISENGIMANA LATE JUNE 9. BISENGIMANA HAD TOLD HIM THAT HE HAD REACTED VIOLENTLY TO TEMPELSMAN'S SUGGESTIONS THAT FRENCH LOAN IN SOME WAY MORTGAGED COPPER AND SERGE WANTED ME TO KNOW THAT IT WASN'T TRUE. HE EXPLAINED THAT IBRD HAD BEEN CONSULTED AND WAS SATISFIED THAT ARRANGEMENTS IN NO WAY PREJUDICED WORLD BANK-GECAMINES LOAN. SPECIFICALLY, WORLD BANK'S PRIOR CLAIM ON AVAILABLE FOREIGN EXCHANGE RECEIPTS FOR REPAYMENT OF LOAN IS GUARANTEED. (I STILL HAVE DOUBTS BUT...) SERGE'S ACCOUNT OF BISENGIMANA'S VIEW OF IMF ALSO SEEMS DIFFERENT. HE SAYS BISENGIMANA STATES GOZ IS IN CONTINUING CONTACT WITH FUND BUT THAT NO MISSION IS CONTEMPLATED BEFORE END OF SEPTEMBER. BISENGIMANA ALLEGES AUSTERITY PROGRAM, BOTH ON BUDGET AND FOREIGN EXCHANGE SIDE, IS WORKING AND SERGE SAYS HE IS BEGINNING TO BE AFRAID CUTS ARE TOO SEVERE, I.E., THEY MAY PROVOKE DIFFERENT KINDS OF PROBLEMS. HE SAYS BISENGIMANA AND GOZ CONTINUE BE OPPOSED TO ANY USE OF IMF FACILITIES THAT WOULD REQUIRE "IMF TUTELAGE" OF ZAIRE AND I SAID THAT IF PROGRAM WAS SO GOOD, I DID NOT UNDERSTAND WHAT THEIR PROBLEM WAS SINCE BANKERS AT LEAST WOULD LIKE REASSURANCE OF IMF ENDORSEMENT OF GOZ ACTIONS.

4. CONCERNING MEETING WITH BANKS, SERGE SAYS BISENGIMANA IS FAVORABLY DISPOSED TO FNCB EFFORT ABOUT WHICH BISENGIMANA TOLD HIM, PROVIDED IT CONDUCTED ONLY WITH SMALL NUMBER AMERICAN BANKS. GOZ IS OPPOSED TO ANY GENERAL MEETING OF BANKERS.

5. ON OTHER HAND, SERGE SAYS DEBT SITUATION IS STILL MESS AND MRS. SEIP IS DUE TO RETURN HERE SHORTLY TO TRY TO PULL IT TOGETHER. THIS TIME, HE ASSERTS, PRESIDENCY WILL SEE TO IT THAT MINISTRY OF FINANCE AND BANK OF ZAIRE COOPERATE IN EXERCISE. SERGE ALSO SAYS BISENGIMANA WANTS TO TALK TO CONFIDENTIAL

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ME WHICH I'LL BELIEVE WHEN IT HAPPENS

6. COMMENT: WHILE WE HAVE TENDED TO THINK EXCHANGE RATE PROBLEM MIGHT BE MOST SENSITIVE ISSUE FOR MOBUTU, MY OWN VIEW IS EVOLVING IN DIRECTION THAT IT IS PRESENCE OF IMF MONITORS WATCHING BUDGET AND FOREIGN EXCHANGE EXPENDITURES THAT HE IS REALLY OPPOSED TO. WE SHOULD BEAR IN MIND THAT LARGE PERCENTAGE OF GOZ EXPENDITURES ARE ALLOCATED

IN ONE-LINE BUDGET NOTATION "TO THE PRESIDENCY" AND  
THEREAFTER ALLOCATED ON SIMPLE SAY-SO OF PRESIDENT TO  
WHOMEVER HE WANTS FOR WHATEVER PURPOSE. IT WAS ALSO  
THESE EXPENDITURES WHICH BALLOONED ENORMOUSLY IN 1974  
AND I DARE SAY MOBUTU JUST DOES NOT WISH TO HAVE ANYONE  
IN A POSITION TO OBSERVE HIS DECISIONS.

7. I'VE PASSED GUETTA'S COMMENTS RE BISENGIMANA'S ATTITUDE  
BACK TO TEMPELSMAN WITHOUT NAMING SOURCE.  
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## Message Attributes

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